AMENDMENTS TO THE CLAIMS:

IN THE CLAIMS:

Please amend the claims, as follows:

Claim 1 (Currently Amended): A method of processing a data set comprising:

compressing the data set in multiple passes by categorizing each data signal in the data set into a category of a predetermined set, and, for selected categories of the predetermined set, coding the data signals for that category using a codebook for that category, wherein the data signals are coded so that a predetermined binary digital signal budget is not exceeded and the categories have a rank order.

Claim 2 (Original): The method of claim 1, and further comprising:

decompressing the data set by, for compressed data signals in the data set in a category of a predetermined set of categories, employing a particular data signal associated with the particular category, and, for selected categories of the predetermined set, decoding the compressed data signals for that category using a codebook for that category.

Claim 3 (Previously Cancelled).

Claim 4 (Cancelled).

Claim 5 (Cancelled)

Claim 6 (Currently Amended): A method of compressing a data set comprising:

in multiple passes, categorizing each data signal in the data set into a category of a predetermined set, and, for selected categories of the predetermined set, coding the data signals for that category using a codebook for that category, wherein the data signals are coded

3

<u>so that a predetermined binary digital signal budget is not exceeded and the categories have a rank order</u>.

Claim 7 (Original): The method of claim 6, wherein the data signals comprise binary digital signals.

Claim 8 (Original): The method of claim 7, wherein for the categories that are not coded, each data signal in that category is represented as the binary digital signals assigned to that category.

Claim 9 (Original): The method of claim 8, wherein the number of predetermined categories is a power of two.

Claim 10 (Original): The method of claim 8, wherein the codebook for each of the selected categories is different.

Claim 11 (Original): The method of claim 8, wherein the codebook for each of the selected categories is the same.

Claim 12 (Previously Cancelled).

Claim 13 (Cancelled).

Claim 14 (Currently Amended): The method of claim 8 ~~13~~, wherein, within a particular category, the data signals have a rank order, the higher rank order data signals being coded before the lower rank order data signals until the budget is expended.

4

Claim 15 (Original): The method of claim 8, wherein the data set is compressed for storage on a storage medium.

Claim 16 (Original): The method of claim 15, wherein the storage medium comprises a flash chip.

Claim 17 (Original): The method of claim 8, wherein the data set is compressed for transmission across a network.

Claim 18 (Original): The method of claim 17, wherein the network comprises the Internet.

Claim 19 (Original): The method of claim 8, wherein the data set comprises data representing one of an image, audio signals, a sequence of images, and any combination thereof.

Claim 20 (Cancelled)

Claim 21 (Currently Amended): A system for compressing data signals comprising: a storage medium storing ~~, said storage medium having stored thereon~~ data signals representing instructions, the instructions, when executed by a system recognizing the instructions, resulting in:

multiple passes over a data set, categorizing each data signal in the data set into one category of a predetermined set, and, for selected categories of the predetermined set, coding the data signals for that category using a codebook for that category, wherein the data signals are coded so that a predetermined binary digital signal budget is not exceeded and the categories have a rank order; and further comprising:

a system capable of recognizing the instructions.

5

Claim 22 (Currently Amended):   An article comprising: a storage medium storing ~~, said storage medium having stored thereon~~ compressed data signals, the data signals having been compressed as follows:

in multiple passes, categorizing each data signal in an uncompressed data set into one category of a predetermined set, and, for selected categories of the predetermined set, coding the uncompressed data signals for that category using a codebook for that category, <u>wherein the data signals are coded so that a predetermined binary digital signal budget is not exceeded and the categories have a rank order</u>.

Claim 23 (Currently Amended):   A system for processing data signals comprising: a storage medium storing ~~, said storage medium having stored thereon~~ compressed data signals, the data signals having been compressed as follows:

in multiple passes, categorizing each data signal in an uncompressed data set into one category of a predetermined set, and, for selected categories of the predetermined set, coding the uncompressed data signals for that category using a codebook for that category, <u>wherein the data signals are coded so that a predetermined binary digital signal budget is not exceeded and the categories have a rank order</u>; and further comprising:

a system capable of decompressing the compressed data signals.

Claim 24 (Original):   The system of claim 23, wherein the system comprises a digital camera.

Claim 25 (Original):   The system of claim 23, wherein the system includes the capability to compress data signals for storage on said storage medium.

Claim 26 (Original):   The system of claim 25, wherein the system comprises a digital camera.

6